

Honolulu, Hawaii  
**March 21**, 2014

RE: S.B. No. 3082  
S.D. 2

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which  
was referred S.B. No. 3082, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to increase economic  
development in the State through promotion of manufacturing by  
establishing a temporary nonrefundable income tax credit for  
qualified manufacturing costs incurred for manufacturing products  
in Hawaii.

The Department of Business, Economic Development, and  
Tourism, The Chamber of Commerce of Hawaii, Hawaii Food Industry  
Association, High Technology Development Corporation, and Hawaii  
Farm Bureau Federation testified in support of this bill. The  
Hawaii Strategic Development Corporation testified in support of  
the intent of this measure. The Department of Taxation and Tax  
Foundation of Hawaii provided comments.

As one of the most isolated land masses on Earth, Hawaii must  
import approximately ninety percent of all products consumed  
annually. However, manufacturers in Hawaii produce goods that are  
in demand across the United States and around the world. Thus,  
developing and supporting manufacturing in Hawaii could serve two  
purposes. First, in-state manufacturing could reduce Hawaii's  
need to import consumer products. Second, Hawaii could export



more products made in-state leading to greater economic development.

According to the Chamber of Commerce of Hawaii, Hawaii has over 1,000 active manufacturers employing approximately 17,000 workers and contributing to the economy by exporting manufactured goods. The Chamber of Commerce estimates that in 2012, nearly \$570,000,000 in manufactured goods were exported from Hawaii. Providing a manufacturing tax credit would provide financial benefits to these manufacturers, thereby increasing their growth. The tax credit would also encourage other manufacturers to begin operations in Hawaii, thereby strengthening Hawaii's economy.

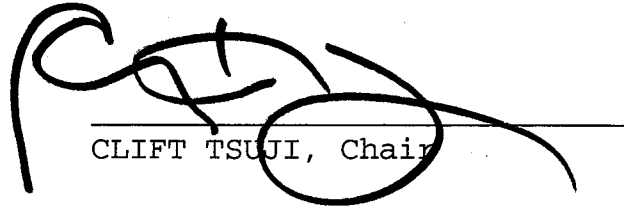
However, your Committee notes the staffing and funding concerns of the Department of Business, Economic Development, and Tourism to fulfill the obligation to certify the tax credits required under this measure and the concerns raised by the Department regarding the Department's access to, and authority to maintain, confidential taxpayer records. Your Committee respectfully requests the Committee on Finance to further review these concerns.

Your Committee also notes the questions raised by the Department of Taxation regarding specific eligibility and qualifying criteria for the tax credit, concerns that the same manufacturing tax credit for the purchase of machinery and equipment may be claimed by more than one taxpayer, and that manufacturers operating in the State's Enterprise Zone Program may use both the manufacturing tax credit provided for in this measure and the general excise tax credit under the Enterprise Zone Program. While your Committee requests the Committee on Finance to review these concerns, your Committee also requests the Committee on Finance to take into consideration the recommendations of the Chamber of Commerce that the manufacturing tax credit and the Enterprise Zone Program tax credit be allowed to co-exist.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3082, S.D. 2, and recommends that it pass Second Reading and be referred to the Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business,



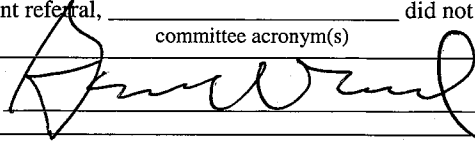
CLIFT TSUJI, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

HJR 1143-14

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: SB 3082 SD 2	Committee Referral: EDB, FIN	Date: 3/18/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. TSUJI, Clift (C)	/			
2. WARD, Gene (VC)	/			
3. AWANA, Karen	/			
4. BROWER, Tom	/			
5. CACHOLA, Romy M.		/		
6. ITO, Ken	/			
7. CHOY, Isaac W.	/			
8. OHNO, Takashi				/
9. ONISHI, Richard H.K.	/			
10. TOKIOKA, James Kunane	/			
11. WOOLEY, Jessica	/			
TOTAL (11)	9	1		1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				